

Message Text

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E.O. 11652: N/A

TAGS: ETRD, GATT, EC

SUBJECT: U.S. STATEMENT TO GATT COUNCIL ON NFDM

REF: STATE 91669

US DEL SHOULD MAKE FOLLOWING STATEMENT AT GATT COUNCIL

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APRIL 27 UNDER AGENDA ITEM ON EC'S PROGRAM OF IMPORT

DEPOSITS FOR ANIMAL FEED PROTEINS:

(BEGIN TEXT) MR. CHAIRMAN, THE UNITED STATES HAS ENTERED INTO BILATERAL CONSULTATIONS WITH THE EUROPEAN ECONOMIC COMMUNITY UNDER ARTICLE XXIII (1) AS A RESULT OF THE IMPLEMENTATION, ON APRIL 1, 1976, OF A MIXING SCHEME FOR SKIM MILK POWDER. THIS SCHEME IS INCONSISTENT WITH THE GATT, IMPAIRS U.S. GATT BINDINGS ON SOYBEANS, SOYBEAN MEAL AND CAKE AND OTHER FEEDSTUFFS AND WILL HAVE A SIGNIFICANT ADVERSE IMPACT ON U.S. EXPORTS OF THESE PRODUCTS.

IN THE EC, DUE TO INTERNAL PRICE POLICY AND PRODUCTION INCENTIVES, RECENT PRODUCTION OF NON-FAT DRY MILK HAS DRAMATICALLY OUTSTRIPPED THE DEMAND. AS A RESULT A HUGE STOCKPILE OF SOME 1.4 MILLION MT OF SKIM MILK POWDER EQUAL TO ONE YEARS CONSUMPTION IN THE COMMUNITY HAS ACCUMULATED. SINCE THE STORAGE OF THIS PRODUCT IS EXTREMELY COSTLY AND THERE IS LITTLE LIKELIHOOD THE PRESSURE OF SURPLUS PRODUCTION WILL ABATE, THE EC HAS IMPLEMENTED A SCHEME TO INDUCE THE INCORPORATION OF 400,000 MT OF SKIM MILK POWDER IN LIVESTOCK FEED THROUGH THE IMPOSITION OF DEPOSITS ON IMPORTS OF VEGETABLE PROTEINS FOR ANIMAL FEEDS. THIS WILL DIRECTLY DISPLACE AN EQUIVALENT QUANTITY OF OTHER PROTEINS SUCH AS SOYBEAN MEAL WITH THE RESULT THAT THE AMERICAN SOYBEAN FARMER WILL PAY A MAJOR PART OF THE COST OF DISPOSING OF THE COMMUNITY'S SURPLUS MILK POWDER. OF COURSE, THE INCORPORATION OF THE MORE EXPENSIVE SKIM MILK POWDER IN FEED WILL ALSO INCREASE THE COST OF THOSE FEEDS AND THE COSTS OF RELATED FOOD PRODUCTS IN EC MEMBER STATES.

MR. CHAIRMAN, THE SOLUTION TO THE PROBLEM OF VAST STOCKPILES OF SKIM MILK POWDER IN THE COMMUNITY DOES NOT LIE IN SHIFTING THE BURDEN OF ADJUSTMENT TO THIRD COUNTRIES. RATHER, IT LIES IN POLICIES WHICH WILL GET AT THE HEART OF THE PROBLEM WHICH IS AN INTERNAL PROBLEM OF EXCESS PRODUCTION OF SKIM MILK POWDER. WE THEREFORE URGE THE COMMUNITY TO REMOVE THIS SCHEME AND TO ADOPT AN APPROACH TO THIS PROBLEM WHICH DEALS WITH THE CAUSES, NOT THE EFFECTS.

THB-P--

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THE PROTEIN PRODUCTS AFFECTED BY THIS SCHEME REPRESENT THE LARGEST AREA OF AGRICULTURAL TRADE BETWEEN THE UNITED STATES AND THE COMMUNITY. IN 1975 U.S. EXPORTS OF PRODUCTS AFFECTED BY THE SCHEME TOTALED OVER \$2 BILLION. FOR THE MOST PART, THE DUTIES ON THESE PRODUCTS ARE BOUND DUTY FREE IN THE GATT. THIS TRADE IS OF PARAMOUNT IMPORTANCE TO THE UNITED STATES.

MR. CHAIRMAN, WE ARE CURRENTLY ENGAGED IN INTENSE BILATERAL
CONSULTATIONS UNDER ARTICLE 23:1 OF THE GATT WITH THE EC
IN AN EFFORT TO REACH A SATISFACTORY RESOLUTION OF THIS
PROBLEM. HOWEVER IF THIS ISSUE CANNOT BE RESOLVED
BILATERALLY IN AN EXPEDITIOUS MANNER THE UNITED STATES
WILL REFER THE MATTER TO THE CONTRACTING PARTIES FOR
PROMPT ACTION UNDER THE TERMS OF ARTICLE XXIII (2) OF THE
GENERAL AGREEMENT. (END TEXT) SISCO

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